



**ICON ENERGY LIMITED**

ABN 61 058 454 569

*energy for the future - the future of energy*

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**Registered Office:**

Level 4, 19 Arbour Court

PO Box 3366

ROBINA TC QLD 4230 AUSTRALIA

Ph: 61+ 07 5562 0077

Fax: 61+ 07 5562 0011

Email: [info@iconenergy.com](mailto:info@iconenergy.com)

Web: [www.iconenergy.com](http://www.iconenergy.com)

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31 October 2008

The Manager, Company Announcements

Australian Stock Exchange Limited

Exchange Centre

20 Bridge Street

Sydney NSW 2000

## **REPORT ON THIRD QUARTER ACTIVITIES – 30 SEPTEMBER 2008**

### **AUSTRALIAN STOCK EXCHANGE LISTING RULE 5.1**

Icon Energy Limited (Icon) finishes the third quarter of the 2008 calendar year with in excess of \$4 million dollars in cash to commence its reserve certification program. While the Company had expected to commence the dewatering of the three wells drilled in 2007, this program could not be commenced due to the unavailability of a suitable drilling rig.

As most investors in Coal Seam Gas are aware, drilling rigs are required to manage the placement of the downhole pumps and connecting pump pipes when depths in excess of 200 metres are encountered. The wells in ATP 626P are approximately 800 metres in depth. The drilling rig that was considered for the dewatering program was found to be adequate for the dewatering program but inadequate to meet the needs of the pilot well program notified in the previous announcement.

As the mobilization and demobilization costs are significant at approximately \$150,000 per contract, the Board decided to suspend the dewatering program until a drilling rig that met the needs of the Company's total program was available. At the time of writing this report, the Company has located and inspected a suitable rig that should be available at the beginning of February 2009. The draft contract has been prepared and we are awaiting the response from the contractor's solicitor.

## **Reserves status**

Despite the lack of rig availability, the time delay has enabled Icon to progress its reserves estimates and to refine the initial-appraisal-drilling program. As advised in previous announcements the estimate of gas initially in place (GIIP) is 5.4 trillion cubic feet of gas. Our continuing evaluation of this resource puts maximum level at 7 trillion cubic feet. The Board believes the company should dedicate its efforts to those activities that make the most significant increases to shareholder wealth. Moving our resource estimates to 2P reserves status is expected to have the greatest impact on shareholder wealth. As part of the company's planning process for this objective, we have consulted with several independent gas certifiers to establish the best placement and timing of the pilot well program.

## **Drilling Plan**

Based on these discussions with the certifiers and our in-house analysis, the program has been revised to consist of:

1. A five-well pilot program centred on Lydia No. 1 with Lydia No. 1 to be used as a monitoring well. Four of the five wells will be completed and dewatered. Pumping equipment for two of the four new wells for the first pilot program are now held by Icon and the casing for the first two wells is in transit.
2. A five-well pilot program to the east of Lydia No. 1
3. A five-well pilot program in the southern end of the block approximately 12 kilometres from Lydia No.1. As ATP 626P is 2,280 square kilometers (2,280,098 hectares), the third pilot in the southern section of the block is required by certifiers.
4. Nine core wells strategically placed in the block to enable the application for "Potential Commercial Area" licenses from the Department of Natural Resources.
5. Additional wells may be required in the final certification process and will be determined in consultation with the independent gas certifiers.

## **ATP 849**

- Located west of Roma Township in the Surat Basin in Queensland. The town of Mitchell is located in the southern region of the tenement
- ATP 849P covers an area of 3854 sq kms.

- Icon's working interest is 80% and is the operator of the block.
- A Work Program is currently being devised including a geological and drilling strategy.
- Icon Energy is devising a Cultural Heritage Agreement with the traditional owners, "the Bidgera People".
- Following a successful application of the Level 2 Environmental Authority, Icon Energy will now be granted the tenure.
- This tenement has received considerable interest from prospective Farmin partners. Based on very limited control data we expect to be able to establish a non-certified estimate of approximately 500 petajoules of gas initially in place.

### **PEL 218**

- Located in the Cooper Basin in South Australia PEL218 is approximately 20 kms north east of the town of Moomba. This tenement lies next to ATP 855P on the Queensland side.
- PEL 218 occupies an area of 394,953 acres or 1602 sq kms.
- PEL 218 was granted to Adelaide Energy (Operator).
- Icon Energy has a registered Farmin Agreement with Adelaide Energy to earn a 33.33% working interest in the area.
- Native Title is registered with the Yawarrawarrka Traditional Owners.
- 100kms of seismic was completed in October 2008.
- The Farmin Agreement requires a well to be drilled by October 2009

### **PEL 594P**

- Located in the Cooper Basin in Queensland.
- ATP 594P is approximately 99 kms west of the town of Quilpie and west of ATP 560P.
- Tenement area ATP 549P covers 3 blocks consisting of a total area of 1538 sq kms
- Icon Energy has a 50% working interest in the permit and is the Operator.
- ASIC holds a 50% interest in the permit as a result of the default of the joint venture partner.
- Native title claim has been lodged by the Boonthamurra people and is awaiting a Federal Court hearing.

## **ATP 549P**

- Located on the border region of southwest Queensland and South Australia
- ATP 549P covers an area of 3854 sq kms.
- Icon has a 33.33% working interest and is the designated Operator.
- Right to Negotiate discussions will be required to renew the permit under a new ATP. The exploration permit has renewal date of 30/04/09 for the second term.
- Environmental Applications will be lodged for ATP549P West including geological and drilling programs after the Government approves the separation of the west and east blocks which are currently held under a complicated trust title.

## **ATP 560 – U11**

- Located in the Cooper Basin in Queensland approximately 30kms west of Quilpie.
- No activity is planned for this ATP sub block.

## **ATP 794P**

- Located North West of the town of Quilpie and lies directly north of ATP 594P.
- ATP 794P is approximately 5315 sq kms in area.
- Icon holds a 60% working interest and is the Operator.
- The Work Program details 500 km of seismic data and the drilling of two wells. To date 270 km of seismic data has been reprocessed and one exploration well has been drilled
- Discussions are progressing for a farmin by a major oil and gas entity

## **ATP 855P**

- ATP 855 is located on the eastern side of the Queensland and South Australian border and is 50km west of Jackson. This permit lies next to PEL 218 and is traversed by the Moomba to Ballera Gas Pipeline.
- ATP 855P occupies a total area of 1674 sq kms.
- Icon has an 80% working interest and is the Operator of ATP 855P.
- A Native Title Claim has been lodged by the the traditional owners, the Wangkumurra People.

- A Cultural Heritage Management Agreement will be negotiated with the traditional owners the Wangkumurra People. This first meeting is to take place in early November

## **EPG 49 and EPG 51**

- Icon Energy Ltd.'s geothermal area consists of NappaMerri 1 and NappaMerri 2. They are located underneath ATP 855P which is located on the eastern side of the Queensland and South Australian border.
- The drilling program for NappaMerri 1 and NappaMerri 2 will be strategically aligned with ATP 855P to allow for cost savings and efficiencies in this phase.
- A five year work program has been devised involving geological and geophysical studies and techniques to obtain new information in regards to the permits geothermal potential.
- The Federal Government is tabling an amendment to the Native Title legislation to enable Geothermal Development to proceed without a Right to Negotiate process.

## **Future Funding and the Gas Sale Agreement**

Completion of the overall drilling plan requires in excess of \$20 million in funding. With cash reserves for the quarter standing at \$4 million, the Company needs to raise further capital to complete this program. The Company is actively pursuing a convertible note option with an overseas pension fund. While negotiations have advanced past a preliminary understanding phase there are a number of regulatory issues that need to be addressed before this line of finance can be finalised. In addition, Icon has received several offers to Farmin to ATP 626P. These companies are currently undertaking their due diligence. The current financial crisis in capital markets has slowed this Farmin process but the Icon remains optimistic of completing an arrangement favourable to the company.

The Memorandum of Understanding for the sale of gas announced on 12<sup>th</sup> June 2008 expired on 30<sup>th</sup> October 2008. At the time of expirations, significant advances had been made on the Gas Sale Agreement. However, the current economic climate and the significant increase of our gas in place required a revision of our initial

arrangements. Icon values a GSA and is continuing its negotiation to this end on a non exclusive basis.

## **Managing Director's Comments**

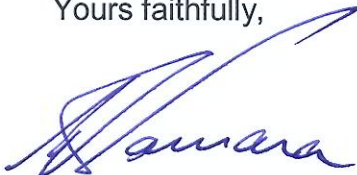
*"I am gratified by the support Icon Energy has received from its shareholder during this period of economic and stock market instability. While Icon is one of the few companies currently trading in excess of share price of the previous 12 months, management is cognizant of the need to continue to work at increasing shareholder value.*

*Current rationalisations in the coal seam gas market focus on the value of 2P and 3P reserves as being the key drivers of value. A key aspect of Icon's activities is our focus on moving our gas initially in place estimates to certified 3P and 2P reserves.*

*Securing a rig contract and funding are the milestones for moving our resources to these reserve classification. We approach these milestones with confidence."*

**Ray James**  
**Managing Director**

Yours faithfully,



**Ray McNamara**

Company Secretary/Executive Director



For further information please contact:

Ray McNamara

Telephone: (+617) 5562 0077

Facsimile: (+617) 5562 0011

Email: [info@iconenergy.com](mailto:info@iconenergy.com)

Or visit [www.iconenergy.com](http://www.iconenergy.com)